

# **EXHIBIT 31**

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## Message

**From:** Crouch, Ross [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=847C76BFF04645EAB345C34174AA5A3C-J1RBC01]  
**Sent:** 5/31/2022 6:37:33 PM  
**To:** Haake, Jenifer [jenifer.haake@kc.frb.org]  
**CC:** Peters, Lacey [lacey.peters@kc.frb.org]  
**Subject:** FW: Summary of 5/17 Custodia meeting and recent updates

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Most recent updates on Custodia.

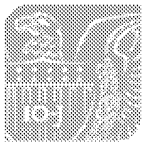
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**From:** Zahnd, Craig C <Craig.Zahnd@kc.frb.org>  
**Sent:** Wednesday, May 18, 2022 1:27 PM  
**To:** Hazen, Judith <judith.hazen@kc.frb.org>; Baxter, Ashle <Ashle.Baxter@kc.frb.org>; Crouch, Ross <ross.crouch@kc.frb.org>; May-Oder, Christi <christi.may-oder@kc.frb.org>; Imgarten, Jeffrey <jeffrey.imgarten@kc.frb.org>; Mullins, Andrea <Andrea.Mullins@kc.frb.org>; Crouse, Tyler <tyler.crouse@kc.frb.org>; Parton, Malea <Malea.Parton@kc.frb.org>; McGhee, Ben <Ben.McGhee@kc.frb.org>; Vandivort, Bill <Bill.Vandivort@kc.frb.org>; Billman, Nick <Nick.Billman@kc.frb.org>; Weaver, Myles <Myles.Weaver@kc.frb.org>  
**Cc:** Humston, Tara L <tara.l.humston@kc.frb.org>; Bemboom, Kara <kara.bemboom@kc.frb.org>  
**Subject:** RE: Summary of 5/17 Custodia meeting and recent updates

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Ross and Ashle, thanks for the summary. Good to see the progress being made by the team in reviewing the risks posed by this entity, as well as the more frequent and substantive communications with Custodia principals. I share the disappointment in their loss of Chuck Thompson and will be interested in what role, if any, he plays going forward. Regards, Craig



**Craig C. Zahnd**

*Senior Vice President, General Counsel & Chief Compliance Officer*

*Legal & Administrative Services*

P: 816.881.2533 E: [craig.zahnd@kc.frb.org](mailto:craig.zahnd@kc.frb.org)

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**From:** Hazen, Judith <judith.hazen@kc.frb.org>  
**Sent:** Wednesday, May 18, 2022 11:21 AM  
**To:** Baxter, Ashle <Ashle.Baxter@kc.frb.org>; Crouch, Ross <ross.crouch@kc.frb.org>; May-Oder, Christi <christi.may-oder@kc.frb.org>; Imgarten, Jeffrey <jeffrey.imgarten@kc.frb.org>; Mullins, Andrea <Andrea.Mullins@kc.frb.org>; Crouse, Tyler <tyler.crouse@kc.frb.org>; Parton, Malea <Malea.Parton@kc.frb.org>; McGhee, Ben <Ben.McGhee@kc.frb.org>; Vandivort, Bill <Bill.Vandivort@kc.frb.org>; Billman, Nick <Nick.Billman@kc.frb.org>; Weaver, Myles <Myles.Weaver@kc.frb.org>  
**Cc:** Humston, Tara L <tara.l.humston@kc.frb.org>; Zahnd, Craig C <Craig.Zahnd@kc.frb.org>; Bemboom, Kara

<kara.bemboom@kc.frb.org>

**Subject:** RE: Summary of 5/17 Custodia meeting and recent updates

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Great summary, Ross and Ashle. Looping Tara, Craig, and Kara in as well.

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**From:** Baxter, Ashle <Ashle.Baxter@kc.frb.org>

**Sent:** Wednesday, May 18, 2022 11:05 AM

**To:** Crouch, Ross <ross.crouch@kc.frb.org>; Hazen, Judith <judith.hazen@kc.frb.org>; May-Oder, Christi <christi.may-oder@kc.frb.org>; Imgarten, Jeffrey <jeffrey.imgarten@kc.frb.org>; Mullins, Andrea <Andrea.Mullins@kc.frb.org>; Crouse, Tyler <tyler.crouse@kc.frb.org>; Parton, Malea <Malea.Parton@kc.frb.org>; McGhee, Ben <Ben.McGhee@kc.frb.org>; Vandivort, Bill <Bill.Vandivort@kc.frb.org>; Billman, Nick <Nick.Billman@kc.frb.org>; Weaver, Myles <Myles.Weaver@kc.frb.org>

**Subject:** RE: Summary of 5/17 Custodia meeting and recent updates

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Great summary, Ross. I don't have anything to add and agree with all of your observations in italics.

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**From:** Crouch, Ross <ross.crouch@kc.frb.org>

**Sent:** Wednesday, May 18, 2022 9:29 AM

**To:** Hazen, Judith <judith.hazen@kc.frb.org>; May-Oder, Christi <christi.may-oder@kc.frb.org>; Imgarten, Jeffrey <jeffrey.imgarten@kc.frb.org>; Baxter, Ashle <Ashle.Baxter@kc.frb.org>; Mullins, Andrea <Andrea.Mullins@kc.frb.org>; Crouse, Tyler <tyler.crouse@kc.frb.org>; Parton, Malea <Malea.Parton@kc.frb.org>; McGhee, Ben <Ben.McGhee@kc.frb.org>; Vandivort, Bill <Bill.Vandivort@kc.frb.org>; Billman, Nick <Nick.Billman@kc.frb.org>; Weaver, Myles <Myles.Weaver@kc.frb.org>

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Good morning all,

Ashle and I met with Caitlin Long, Zev Shimko, and Chuck Thompson on 5/17. The primary focus of the meeting was providing feedback from our risk reviews to date. We did receive some notable updates from management, which I've provided below. Thanks to Ashle, who took great detailed notes from the meeting, which I can provide if you want more information.

- Management seemed receptive to the feedback that was provided. The feedback was consistent with what we discussed internally on 5/13.
- We discussed board, senior management, and BSA compliance staff depth in detail. I noted that board and management depth and breadth of expertise will be a consideration of future reviews.
- Chief Compliance Officer/Chief Legal Officer Chuck Thompson will be transitioning from his role at Custodia. He will continue to work with Custodia in an advisory capacity and will serve as an observer on the BSA/AML Committee (which was formally constituted on 5/11).

- *It is unclear to what extent Chuck will be involved with Custodia going forward. Chuck appeared to play an integral role in the firm to date and provided depth in BSA/AML compliance in particular. This is a notable loss.*
- Caitlin Long stated that the CCO and CLO roles will be separated going forward, and stated that candidates for both positions will have deep experience in banking and regulatory frameworks. *It sounds like they may have already identified candidates, but we didn't get any concrete information there.* Caitlin stated that the bank will not open without a CCO in place. They are looking for compliance staff with banking/regulatory experience and a crypto background. *Building depth here appears to be a high priority.* Caitlin indicated that updates on filling these roles should be coming soon.
- Since the conclusion of our January reviews, Kayla Fennell, who served as Deputy BSA Officer, was named BSA Officer. *Kayla's BSA compliance experience appears somewhat limited, and this should be a focus of future review activity.*
  - *There has been notable turnover in the BSA Officer role, with prior BSA Officers Erin Young departing in early 2021 and Carlo Prudencio departing in early 2022. This turnover had previously been mitigated by the presence of Chuck Thompson, who was involved in BSA compliance at LedgerX.* Caitlin assured us that the new CCO would have BSA compliance experience.
  - Caitlin acknowledged that they are focused on adding depth in BSA staffing, and that they are looking to add another staff level individual to the Compliance/BSA function.
- BSA/AML Compliance update:
  - They've engaged Crowe to perform a comprehensive review of the BSA program, including a system validation prior to launch. The review is underway.
  - Caitlin stated that WY certificate of authority (COA) requirements for approval of core banking activity requires that a system validation be conducted prior to opening. Management said they will send us the most recent COA requirements.
    - Once the COA requirements are met, WY has up to 30 days to respond/grant approval. There are separate requirements/approvals for custody and Avit. We didn't get into detail on those requirements during this meeting. *Need to reconnect with WY to discuss this process.*
  - Caitlin stated that WY plans to conduct a targeted review of BSA within the first three months of launch.
  - Management is well aware of the Consent Order with Anchorage Digital Bank and has performed some internal gap analysis with the intention of avoiding the same issues/formal action. *Plan to follow up on the results of that analysis during our future review.*
- Caitlin stated that hiring a CRO is on their roadmap, after Custodia has opened. In the meantime, Custodia has a risk committee in place.
- Caitlin emailed some information on Saturday 5/14, which indicates that Custodia intends to launch with Cross River Bank in late June based on a 5/11 board presentation. They don't intend to launch until the compliance program is ready (primarily waiting on integration of Foundry among other things).
  - The board presentation notes a phased launch of core banking/post-launch customer plan, with Custodia opening up to just 5 customers (Alpha phase) and gradually allowing for an additional 20-25 customers (Beta phase)
- I stated that Applications will reach out in the next couple of weeks to discuss next steps.
- Ashle and I plan to meet with Caitlin again on Friday to get her take on recent market events in the crypto space (no focus on regulatory stuff).

@Baxter, Ashle, feel free to chime in if I missed anything. Everyone, please let me know if you have any questions. Thanks,



## Ross Crouch

Senior Examiner

P: 816.881.2686 E: [ross.crouch@kc.frb.org](mailto:ross.crouch@kc.frb.org)

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1 Memorial Drive • Kansas City, Missouri 64198 • [www.kansascityfed.org](http://www.kansascityfed.org) >>> 